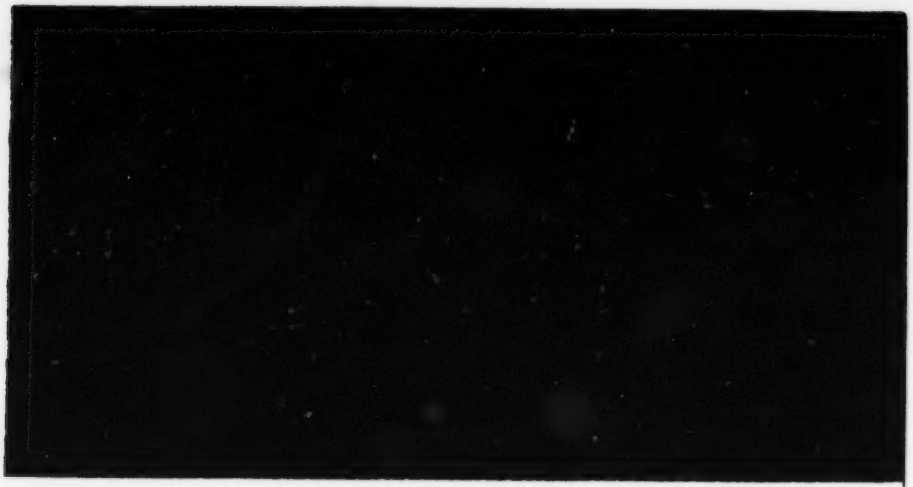

DOMESTIC FEED GRAIN MARKET

ANNUAL REVIEW
CROP YEAR 1984-85

Livestock Feed Board of Canada
Office des provendes du Canada

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MONTREAL, OCTOBER 1985.

HIGHLIGHTS

- Coarse grain prices were held up by strong U.S. corn prices in August and September, but declined sharply as the 1984 U.S. corn crop approached harvest. Global coarse grain prices then remained relatively weak throughout the remainder of 1984-85. Global wheat and coarse grain output in 1984-85 is estimated by the U.S. Department of Agriculture to have totalled 1,320 million tonnes versus 1,176 million in 1983-84. Global usage is placed at 1,283 million tonnes compared to a year earlier level of 1,247 million. World trade is projected at 209 million tonnes versus a 1983-84 total of 195 million. Global carryover rose 40 million tonnes to a total of 242 million at the end of the 1984-85 crop year.

- U.S. wheat and coarse grain production in 1984 totalled 308 million tonnes, an increase of 105 million tonnes from the PIK and drought reduced levels of 1983. All but 5 million tonnes of this increase was registered in coarse grain output which rose from a 1983 crop of 137 million tonnes to a 1984 crop of 237 million. This sharp increase in output enabled usage levels to spring back from the price rationed levels of 1983-84 to the surplus supply levels of 1982-83. Strong Soviet demand for U.S. grain prevented the U.S. markets from getting severely backed up in 1984-85.

- In 1984-85, lower production coupled with lower carryin supplies meant a significant drop in total availability of Prairie grains. As a result there was a need for some allocation of supplies. Export shipments were cut back, movement into Eastern Canada was reduced, and import permits were issued for feed grades of U.S. oats and barley. In Eastern Canada, although a late, cold spring resulted in a slow start for the crops, a good summer and late fall allowed for a very good harvest. In the Maritimes, the growing season was very good but wet conditions during harvest created some difficulties. For British Columbia, 1984 conditions were generally good for silage production and the hay output was satisfactory.

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- Canadian producer deliveries of the principal Prairie grains and oilseeds totalled 25.5 million tonnes in 1984-85 versus 31.7 million in the 1983-84 crop year, the second consecutive year that deliveries have declined. Prairie producer marketings of non-Board feed grains into the commercial elevator system totalled 1.43 million tonnes in 1984-85, a drop of 485 thousand tonnes from year-earlier levels. For the 1984-85 crop year as a whole, total producer marketings of non-Board feed grains at primary elevators (with comparable 1983-84 figures in brackets) in thousand tonnes, were: Wheat, 279.4 (385.6); Oats, 184.5 (292.0); Barley, 965.4 (1,273.6); Total, 1,429.3 (1,915.2). Although total marketings are down sharply in 1984-85 from year-earlier levels, the market shares of each grain have remained fairly constant.

- The interprovincial shipments of feed grains in Eastern Canada has varied sharply in recent years. Prairie feed grain shipments were just over 1 million tonnes in both the 1981-82 and 1982-83 crop years before jumping to over 1.4 million tonnes in 1983-84. Ontario corn shipments to Quebec feed mills were 315 thousand tonnes in 1981-82, 266 thousand in 1982-83, and a record 460 thousand tonnes in 1983-84. (As these figures represent only shipments to Quebec feed mills, total Ontario corn movement into Quebec would be slightly higher.) U.S. corn shipments have dropped from 426 thousand tonnes in 1981-82 to 344 thousand in 1982-83 and then only 95 thousand in 1983-84. These changes in shipments for the various grains indicates that substantial swings occur on a very regular basis. During the 1984-85 crop year, for example, Prairie feed grains were often priced above levels competitive with Eastern corn. As a result, shipments of Western feed grains into Eastern Canada dropped from 1.4 million tonnes in 1983-84 to only 866 thousand tonnes in 1984-85 according to Canadian Grain Commission statistics.

- When 1984 prices are compared with 1983 levels, it is noted that Western prices were relatively stronger than Eastern prices. A comparison of 1984-85 barley prices to year-earlier levels show the following price changes in dollars per tonne at various locations: Vancouver, + 15.40; Calgary, + 13.11; Saskatoon, + 9.73; Winnipeg, + 8.38; Thunder Bay, + 4.01; Montreal, + 1.65; and, Truro, + 2.91. The reason for this change in relative prices was the ample supplies of corn

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available to Eastern users. Chatham corn was almost $20 per tonne lower than year-earlier levels. These lower corn prices pressured Prairie grain prices lower when attempted sales were made into Eastern Canada.

- Freight assisted shipments of Canadian feed grains decreased 259,620 tonnes from year-earlier levels and totalled 1,883,634 tonnes. However, total expenditures during the crop year increased by $678,746, to total $16,577,012. This increased expenditure was totally due to a slight increase in eligible tonnage claimed in Atlantic Canada coupled with an upward revision in Freight assistance rates in the Atlantic region.

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DOMESTIC FEED GRAIN MARKET
ANNUAL REVIEW
CROP YEAR 1984-85

August 1, 1984 to July 31, 1985

by
A. Douglas Hutch

A. THE CANADIAN MARKET IN A GLOBAL CONTEXT

1. Global Grain Production and Price Trends

The 1983-84 crop year will be remembered as a year of contrasts and confusion. The major contrast from a year earlier was between the burdensome global feed supplies which weighed on prices during the 1982-83 crop year and the price strength needed to ration feed grain supplies during 1983-84. The major market contrast during the year was the fact that the wheat and food grain market was in surplus whilst the feed grain market faced a production deficit. It was a surplus global grain market -- except for the U.S. corn crop. The major confusion during the year was the market search for a feed grain price level to adequately ration supplies.

The 1984-85 crop year saw a return to the generally burdensome grain supply levels seen earlier in the decade. The feed grain supply tightness experienced in 1983-84 was alleviated, and global feed grain carryover increased. Wheat markets continued to face surplus market conditions and these excess supplies kept wheat prices under downward pressures. As the 1984-85 crop year drew to a close, the outlook for a bumper 1985 crop weighed further on prices.

Although changes in global supply levels tend to be the primary market influence, the global demand situation is also a very important factor. The global recession and the increased fragility of the global financial system have been largely responsible for the weaker than expected global import demand over the past five years. This underlying weakness was camouflagued in 1984-85 due to a 20 million tonne increase in Soviet imports, which raised global trade levels 15 million tonnes above year-earlier levels.

Since the beginning of the decade, a significant trend has developed in global grain markets. Exports from non-U.S. origins have consistently increased while U.S. exports have generally declined. For example, in the 1981-82 crop year, total world wheat and coarse grain exports were 198 million tonnes. Of that, U.S. exports totalled 107 million and non-U.S. sales were 91 million. In 1984-85, the total trade of 209 million tonnes was split with the U.S. having only 94 million compared to non-U.S. totals of 115 million. For 1985-86, the current projection (in million tonnes) is: U.S., 81; non-U.S., 106; total, 187.

During this period Western Europe has gone from a net import position of 7 million tonnes in 1981-82 to a net export position of 15 million tonnes. This has meant a market loss of 22 million tonnes for traditional exporters. An even more ominous development has been the appearance of the People's Republic of China on the export market. PRC imports have dropped from 15 million tonnes in 1981-82 to 7.5 million in 1984-85. Coarse grain exports have risen from marginal quantities to possibly 5 million tonnes in calendar year 1985. The drop in imports and rise in exports represents a market loss of 12.5 million tonnes for traditional exporters.

Global grain prices were relatively depressed throughout the whole of the 1984-85 crop year. Global wheat prices were relatively low at the beginning of the crop year and then dropped further in the spring and summer months as the 1985 U.S. wheat crop reached maturity and then harvest. Coarse grain prices were held up by strong U.S. corn prices in August and September 1984, but declined sharply as the 1984 U.S. corn crop approached harvest. Global coarse grain prices then remained relatively weak throughout the remainder of the 1984-85 crop year.

Global wheat and coarse grain output in 1984-85 is estimated by the U.S. Department of Agriculture to have totalled 1,320 million tonnes versus 1,176 million in 1983-84. Global usage is placed at 1,283 million tonnes compared to a year-earlier level of 1,247 million. World trade is projected at 209 million tonnes versus a 1983-84 total of 195 million. Global carryover rose 40 million tonnes to a total of 242 million at the end of the 1984-85 crop year.

2. United States Grain Situation

U.S. wheat and coarse grain production in 1984 totalled 308 million tonnes, an increase of 105 million tonnes from the PIK and drought reduced levels of 1983. All but 5 million tonnes of this increase was registered in coarse grain output which rose from a 1983 crop of 137 million tonnes to a 1984 crop of 237 million. This sharp increase in output enabled usage levels to spring back from the price rationed levels of 1983-84 to the surplus supply levels of 1982-83. Strong Soviet demand for U.S. grain prevented the U.S. markets from getting severely backed up in 1984-85.

Given the tight supply situation for U.S. corn in 1983-84, corn market prices stayed relatively firm throughout the whole 1983-84 crop year. Prices for 1984 crop grain traded below 1983 crop quotations during this whole period in reflection of the general expectation that U.S. corn supplies would be ample during 1984-85. As the 1984 U.S. corn crop faced normal production conditions during June and July, new crop price quotations continued to soften and the expectation for a good 1984 crop began to take some of the upward pressure off the 1983 crop prices. Surplus U.S. wheat production in both 1983 and 1984 also helped to dampen the domestic demand for U.S. corn.

As new crop corn began to enter the market in late September 1984, U.S. corn prices began to tumble. Prices received by U.S. producers dropped below the loan rate in December 1984, encouraging large entries into the U.S. loan program in late 1984 and early 1985. The influence of this U.S. government program was sufficient to pull U.S. corn prices above the loan rate by late January 1984, and cash corn prices remained above this level into the summer months.

U.S. grain prices came under renewed pressure in the spring of 1985 as the U.S. winter crop reached the harvest phase. From May through August, U.S. wheat prices dropped sharply below the 1985 crop loan rate. By July this wheat price weakness had spread from wheat into the coarse grain markets. In late July cash corn prices dropped sharply, eliminating the price supporting influence of the U.S. corn loan rate which had been in effect since late 1984.

3. Global Feed and Non-Feed Price Trends

For most grains there is a continual interplay between the feed and non-feed uses for that grain and the relative prices for their respective uses. The major interplays are between food and feed qualities of wheat, milling and feed qualities of oats, and, malting and feed qualities of barley. As feed grades of Prairie grains -- especially the top feed grades -- can also be used for non-feed purposes, a wide spread can develop between the value of the grain for feed purposes and its value for other uses if the non-feed markets become particularly strong. Conversely, there are occasions when the non-feed market becomes particularly weak relative to the feed market. During those periods the non-feed grades can be used as feed with a resulting downward price pressure on the feed grades of that product.

For three crop years, starting in 1979-80, the wheat and barley markets were relatively strong in relation to the feed grain market -- and especially corn. However, as the 1981-82 crop year progressed these price differentials began to close, and, at the end of the crop year feed wheat and feed barley prices were trading at levels competitive to U.S. corn. In the 1982-83 crop year the feed wheat and the feed barley markets were relatively weaker than the corn market, with the result that these markets traded at a substantial discount to corn. During both the 1983-84 and 1984-85 crop years, the global wheat markets were very weak. Feed wheat was constantly available at a significant discount to corn and use of wheat for feed rose sharply.

Feed barley prices rose up to corn competitive values in late 1983 and remained close to corn competitive levels through into February before once again dropping to a discount. At the end of the 1983-84 crop year the export price of feed barley was roughly $10 per tonne below corn competitive values. This discount continued into the fall of 1984, when falling corn prices brought the two markets back into line. Corn and barley then tended to trade at competitive levels into the spring of 1985, when world barley prices then once again dropped to a discount to corn. At the end of July 1985, global barley prices were roughly 15 dollars per tonne below corn competitive values.

During the three years that the wheat and barley markets were relatively stronger than corn, questions were raised as to whether these premiums were reflective of natural long term price relationships. The fact that these markets dropped to a discount to corn, reconfirms that both premium and discount markets can exist for extended periods of time. In terms of straight feed usage, however, each of these grains must remain competitive in terms of relative nutritional value over the long term. Over the last two years and likely for at least the next year, the non-feed markets will remain extremely depressed. Malting barley has been trading at feed levels and some food grades of wheat have also dropped to feed wheat levels. This weakness in the non-feed markets is another factor which is keeping a lid on the global feed grain markets.

B. CANADIAN PRODUCTION AND PRICES

1. Production and Supplies (Table I)

The 1984 Prairie grain crop was severely hampered by growing conditions, with heat and drought searing the crops. As Prairie export capacity has increased in recent years, an ever larger crop has been necessary to meet total market needs. The record 1982 crop was fully marketed. A slightly smaller 1983 crop was also fully sold and previous carryover was brought down to minimal levels. In fact, the CWB had trouble acquiring the desired level of supplies in the latter part of the 1983-84 crop year.

In 1984-85, the lower production coupled with lower carryin supplies meant a significant drop in total availability of Prairie grains. As a result there was a need for some allocation of supplies. Export shipments were cut back, movement into Eastern Canada was reduced, and import permits were issued for feed grades of U.S. oats and barley.

In Eastern Canada, although a late, cold spring resulted in a slow start for the crops, a good summer and late fall allowed for a very good harvest. In the Maritimes, the growing season was very good but wet conditions during harvest created some difficulties. For British Columbia, 1984 conditions were generally good for silage production

TABLE I
CANADIAN GRAIN PRODUCTION
(Million Tonnes)

	ALL WHEAT	OATS	BARLEY	CORN FOR GRAIN
1984	21.199	2.670	10.252	7.024
1983	26.588r/	2.773	10.296r/	5.933r/
1982	26.790r/	3.684r/	14.074	6.513r/
1981	24.803	3.188	13.724	6.673
1980	19.158	3.028	11.259	5.434
1979	17.184	2.978	8.460	4.963
1978	21.145	3.621	10.387	4.033
1977	19.862	4.303	11.799	4.197
10-year Average (1971-1980)	17.638	4.259	10.510	3.708

Source: Statistics Canada, Catalogue 22-002.
November Estimates of the 1984 Production; Vol. 63, #8.
r/ Revised

and the hay output was satisfactory. In the Peace River District, however, half of the barley crop was still in the fields when winter arrived. In Newfoundland, an average 1984 hay crop was harvested.

2. Prairie Feed Grain Prices (Table II)

During the 1983-84 crop year ample supplies of Prairie feed grains destined for the domestic market were moving through the commercial elevator system. As a result, at Thunder Bay, for most of the 1983-84 crop year domestic feed grain prices traded at a discount to corn formula prices. This situation continued into the opening months of the 1984-85 crop year.

Once the U.S. corn harvest started the price relationship was reversed. The tight Prairie grain supply situation was contrasted with a surplus supply situation in the United States and Central Canada. The price of Prairie feed grains thus remained firm whilst corn prices were dropping (Figures 1-A, 1-B, 1-C). By the spring of 1985, Prairie feed grain prices began to re-align with corn competitive values at Thunder Bay.

FIGURE 1-A

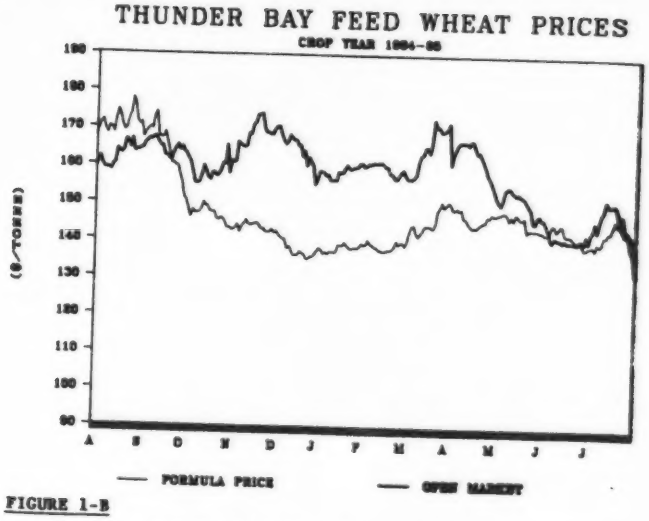
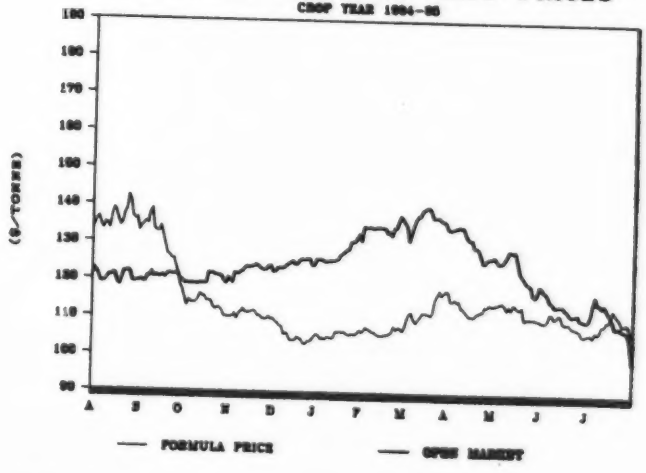


FIGURE 1-B



NOTE: Feed Wheat, Feed Oats, and Feed Barley cash prices are basis in-store Thunder Bay. The formula price is the CWB corn formula price and the open market price is the daily cash price published by the Winnipeg Commodity Exchange.

FIGURE 1-C

THUNDER BAY FEED BARLEY PRICES

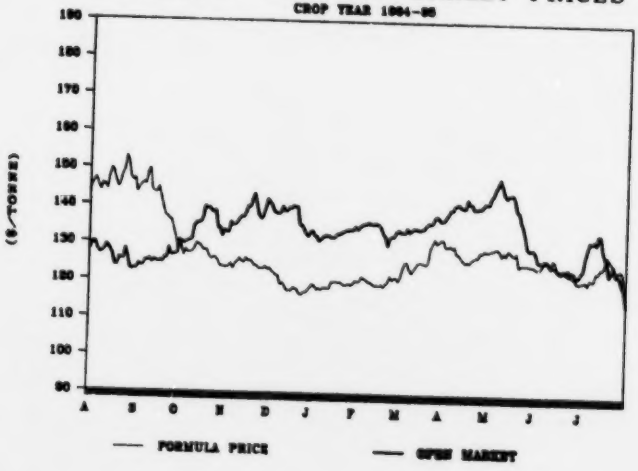
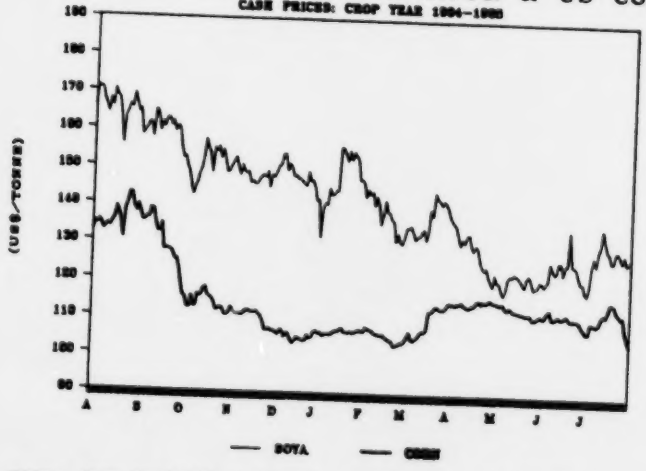


FIGURE 1-D

SOYA MEAL (44%) AT DECATUR & US CORN



NOTE: Soya Meal 44% at Decatur is quoted in U.S. dollars per tonne. U.S. corn prices are closing cash prices aboard vessel basis Chicago in U.S. dollars per tonne during the navigation season. During the close of navigation, the Chicago March futures contract closing price is used.

TABLE II

MONTHLY AVERAGE FEED GRAIN PRICES

AUGUST 1984 TO JULY 1985

($/TONNE)

	THUNDER BAY					
	WINNIPEG EXCHANGE CASH PRICE a/			CWB DOMESTIC (CORN COMPETITIVE) b/		
	WHEAT	OATS	BARLEY	WHEAT	OATS	BARLEY
AUGUST	162.47	120.56	126.74	171.43	136.29	146.97
SEPTEMBER	164.87	120.90	125.52	165.60	131.26	141.90
OCTOBER	158.89	119.97	134.40	147.26	113.98	127.58
NOVEMBER	168.06	122.82	137.80	143.53	110.82	124.52
DECEMBER	165.09	124.59	138.19	137.76	105.54	119.16
JANUARY	158.57	127.28	133.08	138.00	105.67	119.29
FEBRUARY	159.82	134.41	134.57	138.75	106.76	120.43
MARCH	164.55	137.12	135.37	144.75	112.23	126.13
APRIL	164.12	131.51	140.38	146.89	113.61	128.40
MAY	151.40	124.00	140.89	146.10	112.85	127.74
JUNE	141.74	114.02	125.19	142.41	109.58	124.35
JULY	146.02	111.09	127.12	142.15	109.06	123.79
AVERAGE:						
1984-1985	158.80	124.02	133.27	147.05	113.97	127.52
1983-1984	164.47	127.78	130.22	173.86	136.03	149.94
Change	*-5.67*	*-3.76*	*-3.05*	*-26.81*	*-22.06*	*-22.42*
	IN-STORE MONTREAL (WHOLESALE) c/			CORN d/	
				MONTREAL	CHATHAM
AUGUST	202.14	160.80	155.79	203.30	187.23
SEPTEMBER	197.43	158.39	150.78	209.05	184.90
OCTOBER	194.11	157.18	157.52	179.00	136.28
NOVEMBER	196.16	160.14	164.18	163.48	136.46
DECEMBER	204.23	162.81	171.28	165.40	138.11
JANUARY	201.65	165.95	170.90	165.20	139.65
FEBRUARY	199.85	174.25	170.55	163.10	137.20
MARCH	205.40	175.60	168.45	164.50	143.70
APRIL	194.85	170.45	173.45	172.90	151.70
MAY	180.80	160.80	166.75	173.00	151.50
JUNE	169.20	152.15	153.40	171.45	152.40
JULY	171.05	146.00	154.60	175.75	145.75
AVERAGE:					
1984-1985	193.07	162.04	163.14	175.51	150.41
1983-1984	197.41	168.45	160.79	193.14	169.53
Change	*-4.34*	*-6.41*	*2.35*	*-17.63*	*-19.12*

a/ Non-Board cash prices, basis in-store Thunder Bay for the following grades:
Wheat - CFW; Oats - 1 Feed; Barley - 1 Feed.

b/ CWB domestic prices, in-store Thunder Bay, for the following grades:
Wheat - CFW; Oats - 1 Feed; Barley - 1 Feed.

c/ Wholesale selling prices basis in-store for the following grades:
Wheat - DGC; Oats - 1 Feed; Barley - 1 Feed.

d/ N°. 2 CE, basis track.

As Prairie feed grains were not competitively priced with Eastern markets, the shipments of Prairie feed grains into Eastern Canada were sharply lower in 1984-85. As Eastern markets were facing ample supplies and Western markets were expected to be very tight, it was decided prior to the beginning of the crop year that the CWB would not offer corn competitive formula priced grain at Thunder Bay during the 1984-85 crop year. In early December, the CWB withdrew from formula priced sales within the Prairies. At the end of the crop year the corn formula sales policy was discontinued.

For the whole 1984-85 crop year, prices of the three Prairie feed grains at Thunder Bay were slightly below the levels experienced in 1983-84. (Table II). This was mainly a reflection of sharply lower corn prices which pulled Prairie feed grain prices lower than they would otherwise have been. (More information on domestic prices is found in Section F). On an in-store Thunder Bay basis, the open market price for feed wheat averaged $158.80 per tonne, a decrease of $5.67 from 1983-84 levels; feed oats averaged $124.02, a drop of $3.76 per tonne; and the feed barley price was $133.27 per tonne, a decline of $3.05.

3. Eastern Corn Prices (Table II)

In the regular seasonal pattern, Ontario corn prices were relatively strong in the two months leading up to the harvest. However, after trading in September with a Chatham price of $184.90 per tonne, prices plunged sharply in October to $136.28 per tonne. Prices then stayed relatively flat through February 1985 before beginning to strengthen as available market supplies tightened.

For the year as a whole, Ontario corn prices averaged significantly less than 1983-84 averages. This was a direct result of the sharply higher U.S. corn crop and the subsequent price weakness registered in most coarse grain markets. Chatham corn prices were slightly weaker than the Montreal averages showing a yearly average drop of $19.12 per tonne versus a Montreal decline of $17.63. This erased the relative strength in Chatham prices that had been noted the year before.

C. PRODUCER MARKETINGS

Canadian producer deliveries of the principal Prairie grains and oilseeds totalled 25.5 million tonnes in 1984-85 versus 31.7 million in the 1983-84 crop year, the second consecutive year that deliveries have declined. Prairie producer marketings of non-Board feed grains into the commercial elevator system totalled 1.43 million tonnes in 1984-85, a drop of 485 thousand tonnes from year-earlier levels.

As can be seen in Figure 2-A, producer marketings of non-Board feed wheat were at negligible levels from the 1981-82 crop year through the first half of the 1982-83 crop year, averaging less than two thousand tonnes a week. Deliveries increased sharply during the final two quarters of 1982-83, however, and deliveries in the final three months of the crop year exceeded feed wheat deliveries for the total 1981-82 crop year. Total 1982-83 feed wheat deliveries of 234 thousand tonnes were more than double the year-earlier level of 95 thousand. This rate of higher deliveries continued through 1983-84, with a year-end total of 386 thousand tonnes. In 1984-85, deliveries dropped with each successive quarter, and the year-end total of 279 thousand tonnes was down 106 million tonnes from 1983-84 levels.

Oats marketings exhibited the same trend, rising in 1982-83 by 66 percent over year-earlier levels and then registering a further increase of 77 percent in 1983-84 (Figure 2-B). Then in 1984-85 quarterly marketings fell below year-earlier levels in each quarter and the year-end total of 185 thousand tonnes was a drop of 108 thousand. The oats market, however, continues to be very much a local market in the sense that only small quantities leave the immediate region in which they are produced. As it is now, oats production targeted for the cash market is mainly intended for milling purposes, with the off grades being used for feed purposes. Mixed feed oats, which comprise a large part of the domestic feed oats shipments through the commercial system, are largely screenings from other grains.

Producer domestic marketings of barley also increased sharply during the last half of 1982-83 and throughout all of 1983-84 (Figure 2-C). The increased deliveries during this period kept open market barley prices at a discount to corn formula values. As 1984-85 commenced, barley was trading at a discount to corn. By the end of the first quarter, however,

FIGURE 2-A

NON-BOARD QUARTERLY MARKETINGS
AT PRAIRIE PRIMARY ELEVATORS
FEED WHEAT

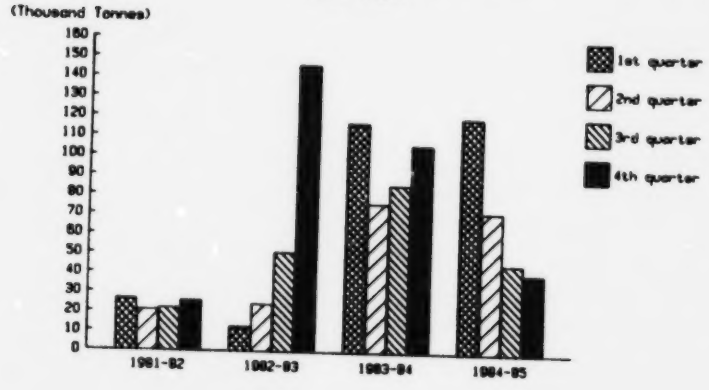


FIGURE 2-B

NON-BOARD QUARTERLY MARKETINGS
AT PRAIRIE PRIMARY ELEVATORS
FEED OATS

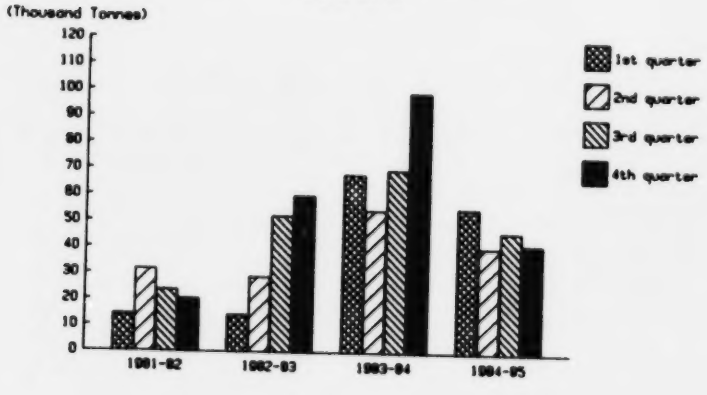


FIGURE 2-C

NON-BOARD QUARTERLY MARKETINGS
AT PRAIRIE PRIMARY ELEVATORS
FEED BARLEY

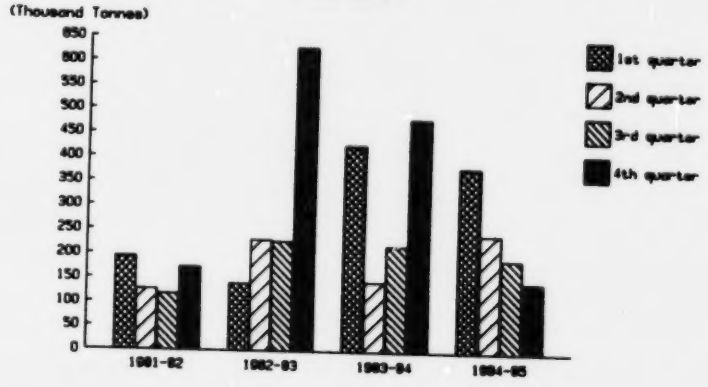


FIGURE 2-D

NON-BOARD QUARTERLY MARKETINGS
AT PRAIRIE PRIMARY ELEVATORS
TOTAL

falling corn prices and steady barley prices resulted in barley trading at a premium. Tight market conditions throughout the rest of the crop year, and low barley deliveries, kept barley prices relatively strong until the final months of the crop year, when barley and corn competitive prices moved together.

For the 1984-85 crop year as a whole, total producer marketings of non-Board feed grains at primary elevators (with comparable 1983-84 figures in brackets) in thousand tonnes, were: Wheat, 279.4 (385.6); Oats, 184.5 (292.0); Barley, 965.4 (1,273.6); Total, 1,429.3 (1,915.2). As can be seen in Figure 2-D, although total marketings are down sharply in 1984-85 from year-earlier levels, the market shares of each grain have remained fairly constant.

During the 1983-84 crop year the heaviest deliveries were made in the first and last quarters. The first quarter deliveries were very much a continuation of the trend established in the last half of 1982-83. Deliveries slowed in the middle two quarters of the crop year as record export movement and the lower than expected 1983 output meant that year-end carryover supplies would be drawn down to minimal levels. Deliveries increased again in the final quarter of the crop year as rising domestic feed grain prices attracted more grain into the system. In addition, the outlook for lower prices in 1984-85 would also have prompted some additional marketings.

During the 1984-85 crop year, deliveries dropped with each quarter. Local market prices within the Prairies were sufficiently strong to attract direct sales from grain producers to grain users, bypassing the elevator system. At Thunder Bay, the Prairie feed grains were not priced competitively to Eastern markets and there was little demand for these grains throughout the whole year.

D. COMMERCIAL SUPPLIES AND DISAPPEARANCE

1. Western Grain Supplies (Table III)

Although first quarter Prairie producer marketings into the primary elevator system were close to year-earlier levels, deliveries declined in each successive quarter as the crop year progressed. From the beginning of the crop year the CWB withdrew from formula price sales at Thunder Bay and in early December ceased to offer formula priced grain at primary elevators within the Prairies. As a result, the open market furnished almost 95 percent of the commercially marketed Prairie feed grains supplied during 1984-85.

TABLE III

CANADIAN DOMESTIC FEED GRAIN STATISTICS
CROP YEARS 1983-84 AND 1984-85

(THOUSAND TONNES)

ITEM	WHEAT	OATS	BARLEY	TOTAL
A) Non-Board Marketings at Primary Elevators				
1984-1985	279.4	184.5	965.4	1429.3
1983-1984	385.6r	292.5r	1273.6r	1915.2r
Change	*-106.2*	*-107.6*	*-308.2*	*-485.9*
B) C.W.B. Sales to Domestic Market				
1984-1985	23.8	5.2	72.0	101.0
1983-1984	33.8	0.7	0.5	35.0
Change	*-10.0*	*4.5*	*71.5*	*66.0*
C) Commercial Disappearance of Canadian Domestic Feed Grain from the Licensed Elevator System				
Primary Elevators	241.8	118.0	872.0	1231.8
Thunder Bay Terminals	16.2	9.4	7.1	32.7
Eastern Transfer Elevators	181.9	72.9	252.5	507.3
Total: 1984-1985	439.9	200.3	1131.6	1771.8
1983-1984	538.5r	267.1r	1594.8r	2400.4r
Change	*-98.6*	*-66.8*	*-463.2*	*-628.6*
D) Visible Stocks in Selected Positions at July 31,				
Prairie Positions	32.6	27.8	29.9	90.3
Thunder Bay	10.0	17.3	48.6	75.9
Eastern Transfer Elevators	4.8	8.4	9.9	23.1
Maritime	-	-	6.4	6.4
Total: 1984-1985	47.4	53.5	94.8	196.7
1983-1984	85.3	82.7	306.8	474.8
Change	*-37.9*	*-29.2*	*-213.0*	*-279.1*
E) CWB Sales as a Percentage of Total Disappearance	----- Percentage -----			
1984-1985	5.4	2.6	6.4	5.7
1983-1984	6.3	0.3	0.0	1.5
Change	*-0.9*	*2.3*	*6.4*	*4.2*

Sources: Canadian Grain Commission, Grain Statistics Weekly (Items A, C, D).
Canadian Wheat Board (Item B, C).

r) Revised.

As deliveries into the primary elevators dropped, Prairie feed market conditions tightened and Prairie feed grains were quickly priced above competitive values with other grains in Eastern Canada. Total disappearance from the licensed elevator system dropped from 2.40 million tonnes in 1983-84 to 1.77 million in 1984-85, a decline of 629 thousand tonnes. Most of this decline was from Eastern users, with shipments from Thunder Bay dropping from 46.9 thousand in 1983-84 to 32.7 thousand in 1984-85. Disappearance from Eastern transfer elevators dropped from 922.9 in the previous year to 507.3 in 1984-85. Shipments from primary elevators within the Prairies fell from 1.27 million tonnes in 1983-84 to 1.23 million in 1984-85.

2. Eastern Grain Supplies (Table IV)

After a disappointing crop in 1983, total grain production in Eastern Canada bounced back in 1984, reducing the demand for grain from outside of the region. Ontario total grain production rose from 6.87 to 7.89 million tonnes, as the Ontario corn crop rose from 4.7 to 5.4 million tonnes. In Quebec, grain production rose from 1.81 million tonnes in 1983-84 to 2.38 million in 1984-85, with the Quebec corn crop rising from 975 thousand tonnes to 1.35 million. Production within the three Maritime provinces totalled 291.6 thousand tonnes, close to the 1983-84 totals of 284.3 thousand.

Domestic shipments of Ontario corn through the licensed transfer elevator system dropped slightly from year-earlier levels. However, as mentioned in previous reviews, alternative transportation such as truck and rail to Quebec and rail to Atlantic Canada has captured much of the inter-provincial movement of Ontario corn. Total shipments of Ontario corn into Quebec have been estimated at 409 thousand tonnes. Ontario corn shipments into Atlantic Canada are estimated to total 188.4 thousand tonnes.

3. U.S. Corn Supplies

Shipments of U.S. corn out of Eastern transfer elevators rose sharply in 1983-84. The implementation of water competitive rail rates from Ontario into Quebec for shippers willing to enter into a volume agreement with the railways had proved to be very popular during 1983-84 but

TABLE IV

SHIPMENTS OF FEED GRAIN FOR ANIMAL CONSUMPTION EX EASTERN POSITIONS [a/]

AUGUST 1984 TO JULY 1985

(THOUSAND TONNES)

	WESTERN GRAIN				EASTERN GRAIN			U.S. CORN	TOTAL
	WHEAT	OATS	BARLEY	#1 FEED SCREENINGS	OATS	BARLEY	CORN		
Ontario Ports									
1984-1985	65.2	38.7	24.5	58.9	0.2	0.1	63.6	8.5	263.2
1983-1984	51.7	57.9	98.1	59.3	-	0.2	103.5	-	370.7
Change	*13.5*	*-19.2*	*-73.6*	*-0.4*	*0.2*	*-0.1*	*-39.9*	*- 8.5*	*-107.5*
Quebec Ports									
1984-1985	116.3	34.0	220.7	13.9	-	-	75.9	211.4	672.2
1983-1984	181.0	49.4	447.2	9.0	-	-	83.1	89.2	858.9
Change	*-64.7*	*-15.4*	*-226.5*	*4.9*	-	-	*- 7.2*	*122.2*	*-186.7*
Atlantic Ports									
1984-1985	.450	-	6.368	-	-	-	-	-	6.8
1983-1984	-	-	1.0	0.2	-	-	-	-	1.2
Change	*.45*	-	*5.4*	*-0.2*	-	-	-	-	*5.6*
Total Eastern Canada (Port Groups)									
1984-1985	181.9	72.7	252.1	72.1	0.2	0.3	145.1	223.5	948.0
1983-1984	258.0	116.2	546.5	68.3	-	0.2	173.9	95.4	1258.5
Change	*-76.1*	*-43.5*	*-294.4*	*3.8*	*0.2*	*0.1*	*-28.8*	*128.1*	*-310.5*
(%)	*-29.5*	*-37.4*	*- 53.9*	*5.6*	-	*50.0*	*-16.6*	*134.3*	*- 24.7*

Source: Canadian Grain Commission.

a/ The vast majority of feed grain for domestic use in the Atlantic Provinces moves by rail to consumption points or by water to St. John's, Newfoundland which is not shown here. Data on freight assisted shipments, shown elsewhere in this report, indicate the following movements for the crop year in thousand tonnes:

	1984-85	1983-84	Change
Western Grain	248.8	284.1	-35.3
Ontario Corn	191.5	155.7	+35.8
Total:	440.3	439.8	+ 0.5

was less so in 1984-85. In 1983-84, these volume rates stimulated higher shipments of Ontario corn and sharply reduced the demand for U.S. corn. In 1984-85, lesser usage of the special agreements allowed U.S. corn the chance to recapture part of the market share that had been lost a year earlier.

4. Total Grain Disappearance

Shipments of all feed grains for animal consumption from Eastern transfer elevators decreased 310 thousand tonnes in 1984-85 for a crop year total of 948 thousand. Rail shipments from Thunder Bay dropped 3.5 thousand tonnes to 120.5 thousand. Direct rail shipments from the Prairies were cut by more than half, falling from 370.7 thousand tonnes in 1983-84 to 166.8 thousand in 1984-85.

The interprovincial shipments of feed grains in Eastern Canada has varied sharply in recent years. Prairie feed grain shipments were just over 1 million tonnes in both the 1981-82 and 1982-83 crop years before jumping to over 1.4 million tonnes in 1983-84. Ontario corn shipments to Quebec feed mills were 315 thousand tonnes in 1981-82, 266 thousand in 1982-83, and a record 460 thousand tonnes in 1983-84. (As these figures represent only shipments to Quebec feed mills, total Ontario corn movement into Quebec would be slightly higher.) U.S. corn shipments have dropped from 426 thousand tonnes in 1981-82 to 344 thousand in 1982-83 and then only 95 thousand in 1983-84. (See Section H and Table VIII).

These changes in shipments for the various grains indicates that substantial swings occur on a very regular basis. During the 1984-85 crop year, for example, Prairie feed grains were often priced above levels competitive with Eastern corn. As a result, shipments of Western feed grains into Eastern Canada dropped from 1.4 million tonnes in 1983-84 to only 866 thousand tonnes in 1984-85, according to Canadian Grain Commission statistics.

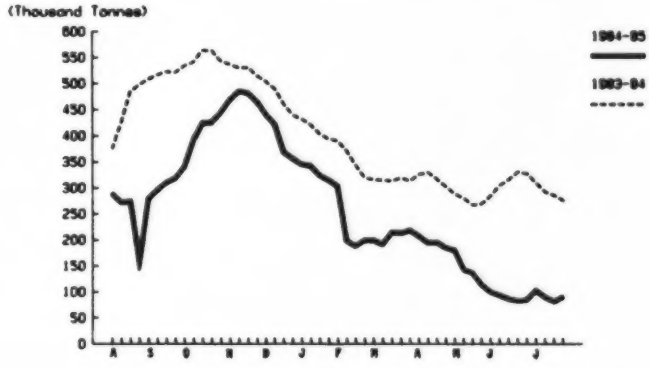
E. STOCKS

1. Primary Elevators (Figure 3-6)

Deliveries into and shipments from the commercial elevator system in the Prairies consistently fell below year-earlier levels throughout the whole 1984-85 crop year.

FIGURE 3-A

WEEKLY STOCKS OF DOMESTIC FEED GRAINS
PRAIRIES



Those quantities that were delivered into the system also stayed mainly within Western Canada, as shipments into Eastern Canada dropped sharply. Weekly stock levels remained below year-earlier levels throughout the whole crop year. This was reflective of a very tight Prairie feed grain supply situation in 1984-85.

At the end of the crop year primary elevator stocks of domestic feed grains, in thousand tonnes, were: Wheat, 32.6; Oats, 27.8; Barley, 29.9; and, Total, 90.3. Given the number of elevators within the Prairies, these total stock levels can be considered to be negligible.

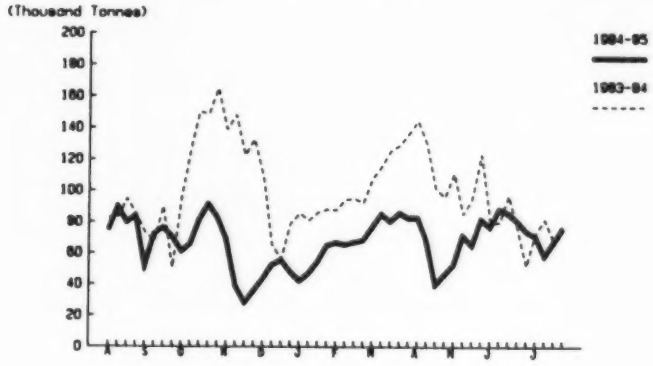
2. Thunder Bay

Thunder Bay stock levels stayed below the generally low levels of recent years. As demand for Prairie feed grain shipments into Eastern Canada had dropped sharply, these low stock levels did not really create any difficulties. Given the very thin market conditions, however, feed grain users planning to access grain from Thunder Bay should finalize their commitments significantly prior to the period when it is actually needed. Last minute purchases could face adverse market conditions.

At the end of the crop year Thunder Bay stocks of domestic feed grains, in thousand tonnes, were: Wheat, 10.0; Oats, 17.3; Barley, 48.6; and, Total, 75.9.

FIGURE 3-B

WEEKLY STOCKS OF DOMESTIC FEED GRAINS
THUNDER BAY



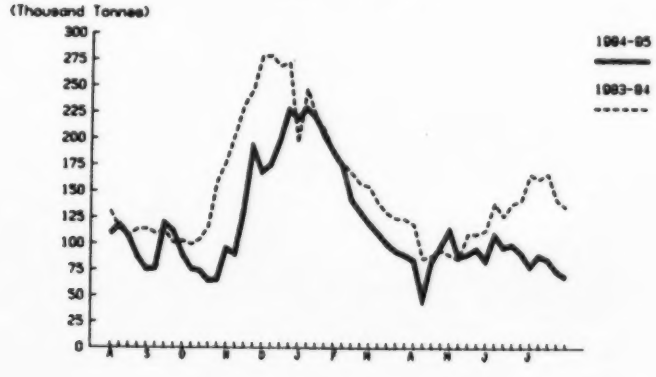
3. Eastern Positions (Figure 3-C)

Stocks of feed grain for domestic use in Eastern Canada generally followed traditional patterns during 1984-85, although totals were usually slightly lower than year-earlier levels, continuing the trend of recent years. With ample supplies of locally produced grain and a levelling off of livestock grain consumption, these stock levels proved to be more than sufficient to meet market needs.

At year-end, stocks in Eastern transfer elevators, in thousand tonnes, were: Wheat, 5.8; Oats, 9.5; Barley, 18.1; Screenings, 10.3; Ontario Corn, 21.5; U.S. Corn, 9.5; and, Total, 74.5.

FIGURE 3-C

DOMESTIC FEED GRAIN STOCKS
EASTERN CANADA



F. DOMESTIC PRICE RELATIONSHIPS

1. General Overview

With very high delivery opportunities over the past five and a half years, both grain producers and grain users have had to become more sensitive to the pricing aspect of Prairie feed grains. For grain producers, there is the knowledge that they can move virtually all of their product if they so desire. Therefore a decision has to be made as to which market will likely yield a higher return.

For grain users, they will now have to accept the fact that there is no longer a grain stockpile in the Prairies that can be tapped at will. As the capacity of the Canadian grain handling and transportation system continues to increase in the years ahead, the quantity of feed grains for domestic use moving through this system will decrease in relative, if not absolute, terms. The increased export movement capacity will also mean that Prairie grain supplies can be reduced to minimum pipeline levels on a regular basis. In short, what can be produced will be able to be moved.

As elevation and handling costs increase, the commercial elevator system becomes less attractive to both buyers and sellers. The local market has some inherent advantages over the deliveries into the commercial elevator system. When local market prices are strong it is cheaper and more convenient to deliver directly to local users rather than into the commercial elevator system. Similarly, users by buying direct from producers can eliminate the additional elevation and handling charges on grain put through the elevators. Thus domestic feed grain deliveries into the commercial elevator system are rarely made unless the net return to the producer is greater than that which can be received from direct sales into the local market. This is true in all regions of Canada.

Throughout much of the 1983-84 crop year, local market prices within the Prairies were relatively weak and open market price offerings at the commercial elevators were fairly attractive in relation to the CWB initial prices. This was a continuation of the situation which had existed during the last half of the 1982-83 crop year. As a result,

producer domestic feed grain deliveries into the commercial elevator system increased above the levels of recent years as more producers decided to channel some of their product through this marketing option. This situation reversed in 1984-85 as very strong local market prices, especially in south-western Saskatchewan and southern Alberta, attracted much of the available supplies being offerred by Prairie grain producers.

2. Geographical Price Spreads
(Table V and Figures 4-A - 4-D)

At the beginning of the 1983-84 crop year, the Livestock Feed Board of Canada instituted a cross-country survey of selling prices of various feed ingredients. These are actual selling prices quoted by major firms in the grain business. The intent of this survey is to provide an on-going record of actual market prices across the country. It is hoped that this information will help to put into a better perspective the actual situation facing grain and livestock producers in these different parts of Canada.

During the 1983-84 crop year, the geographical price spreads throughout Canada were fairly normal. This was not the case during 1984-85, however, as the very tight supply situation in the south-western region of the Prairies was combined with very ample supplies being available to Central and Atlantic Canada. As a result the further West one went, the stronger grain market prices tended to be relative to year-earlier levels.

British Columbia was most adversely affected. Taking barley, for example, a year-to-year comparison shows the following price changes in dollars per tonne at various locations: Vancouver, + 8.38; Thunder Bay, + 4.01; Montreal, + 1.65; and, Truro, + 2.91. The reason for this change in relative prices was the ample supplies of corn available to Eastern users. Chatham corn was almost $20 per tonne lower than year-earlier levels. These lower corn prices pressured Prairie grain prices lower when attempted sales were made into Eastern Canada.

The relative weakness of grain prices in the East versus price levels in the West became more pronounced in the final months of the 1984-85 crop year. While feed grain prices were remaining fairly steady in Western Canada,

FIGURE 4-A

WHEAT
MONTHLY AVERAGE SELLING PRICES
CROP YEAR 1984-85

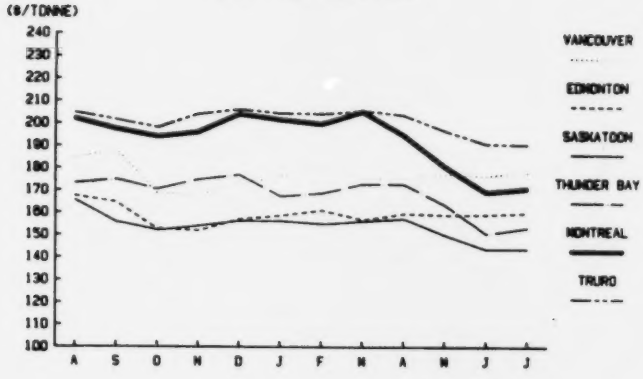
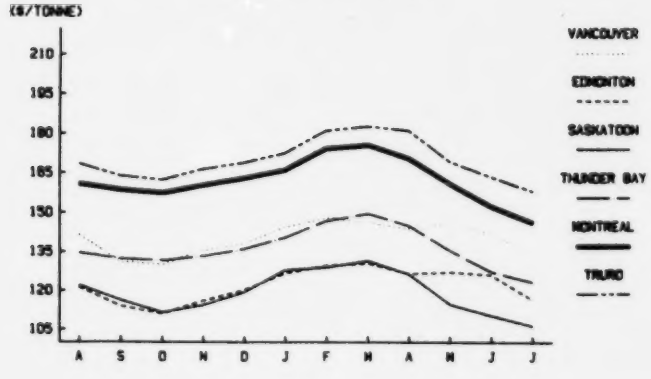


FIGURE 4-B

OATS
MONTHLY AVERAGE SELLING PRICES
CROP YEAR 1984-85



NOTE: Prices are quoted on the following basis:

FOB: Vancouver, Calgary, Saskatoon, Winnipeg, Carmen.
TRACK: Thunder Bay, Chatham, Truro.
IN-STORE: Bay Ports, Montreal.

FIGURE 4-C

B A R L E Y
MONTHLY AVERAGE SELLING PRICES
CROP YEAR 1984-85

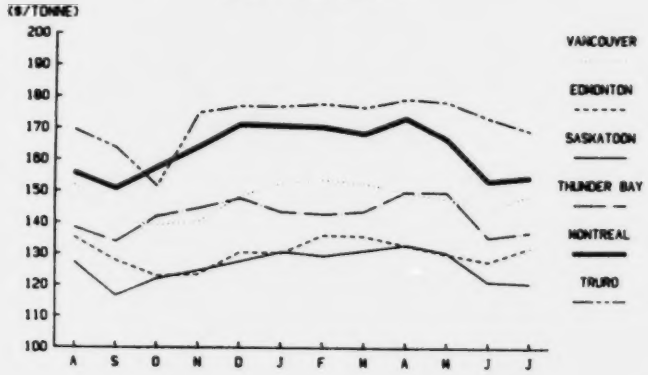
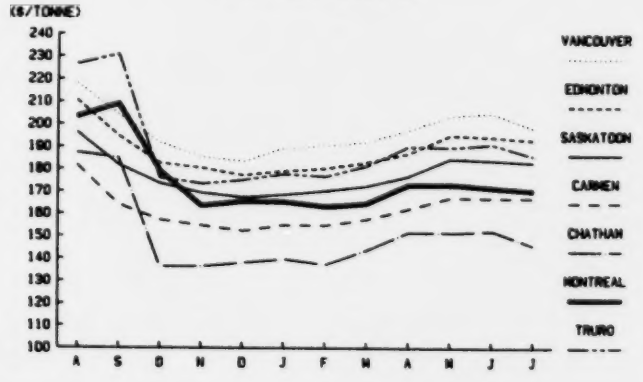


FIGURE 4-D

C O R N
MONTHLY AVERAGE SELLING PRICES
CROP YEAR 1984-85



NOTE: A full explanation of the pricing basis for these charts is included on the page below Table V. All prices are actual commercial selling prices quoted by the trade at these locations.

TABLE V
AVERAGE FEED GRAIN SELLING PRICES
1984-85 CROP YEAR
($/per tonne)

SELECTED POINT	PRICE BASIS	WHEAT	OATS	BARLEY	CORN
VANCOUVER	FOB	175.24	139.92	147.60	196.70
versus 1983-84		+ 2.69	+ 8.05	+15.40	- 8.86
CALGARY	FOB	159.04	121.86	130.36	188.08
versus 1983-84		+ 2.29	+ 7.59	+13.11	- 3.97
SASKATOON	FOB	153.83	118.98	126.20	177.25
versus 1983-84		- 0.45	+ 1.91	+ 9.73	- 6.15
WINNIPEG	FOB	154.98	121.35	127.00	165.76
versus 1983-84		- 2.66	+ 1.29	+ 8.38	- 5.60
CARMEN	FOB	-	-	-	161.62
versus 1983-84		-	-	-	- 7.50
THUNDER BAY	TRACK	168.30	136.09	141.38	-
versus 1983-84		- 2.78	- 0.49	+ 4.01	
CHATHAM	TRACK	-	-	-	150.40
versus 1983-84					-19.63
BAY PORTS	IN-STORE	185.69	156.71	159.32	-
versus 1983-84		- 7.94	+ 6.16	+ 2.13	
MONTREAL	IN-STORE	193.07	162.04	163.15	174.95
versus 1983-84		- 4.34	- 6.41	+ 1.65	-18.19
TRURO	TRACK	200.85	169.68	172.38	189.50
versus 1983-84		- 6.96	- 1.09	+ 2.91	-17.19

NOTE: These average feed grain selling prices are actual selling prices quoted by the grain trade at each of the listed locations. As such these prices reflect what a feed grain user would pay for feed grain purchased at these points. These prices are not all directly comparable due to differences in the price basis. For example, the Montreal price is in-store and does not reflect the loading out and secondary transportation costs which would face the feed grain user while the Truro track price is more reflective of what the user would actually pay. To determine full costs to the users at points which require additional shipment, these additional costs would need to be added to the selling price quotation.

Eastern Canadian prices began to trend lower. For the year as a whole, Eastern usage of Prairie feed grains was down sharply, even though the full price increases that were registered in Western Canada were not reflected in the East. For Eastern users, corn was simply the best buy.

C. WINNIPEG COMMODITY EXCHANGE

Domestic feed grain futures trading volume on the Winnipeg Commodity Exchange decreased 41 percent during the 1984-85 crop year. Of the total volume of 494,809 contracts traded, barley trade dropped 46 percent to 332,568 contracts, oats trade fell 37 percent to 64,422 contracts and wheat volume declined 16 percent to 97,819. Open interest also decreased and the total for the three contracts on July 31, 1985 was 28 percent below year-earlier levels.

This decrease in both open interest and trading volume more than erased the gains that had been made in 1983-84. These drops were to be expected, however, as grain market activity at Thunder Bay dropped sharply from year-earlier levels. With the underlying grain market activity dropping, it is to be expected that futures market volume would also be on the decline.

TABLE VI
WINNIPEG COMMODITY EXCHANGE
Futures Volume and Open Interest*
(Contracts)

	VOLUME			OPEN INTEREST		
COMMODITY	1984-1985 Aug.-July	1983-1984 Aug.-July	CHANGE (%)	July 31 1985	Aug. 1 1984	Change (%)
Feed Wheat	97,819	117,022	-16	2,700	2,206	-22
Oats	64,422	101,879	-37	1,261	3,045	-59
Barley	332,568	620,859	-46	8,808	12,451	-29
TOTAL	494,809	839,760	-41	12,769	17,702	-28

* Volume is the total number of trades during the crop year. Open interest is the number of contracts in existence at year-end. One contract represents twenty tonnes.

The exchange also began to trade an Alberta feed barley futures contract during the 1982-83 crop year. As Alberta is the major barley location in Canada, a futures contract deliverable in Alberta will be closely tied in with the largest segment of the domestic feed barley market. This fact alone can justify the attempt to establish a fluid futures contract deliverable within the Prairies. Trading activity in this contract was very disappointing during the 1983-84 and 1984-85 crop years. Interest failed to develop in this contract and no trades were registered on most trading days. The contracts are still listed, however, and there is a chance that this contract may still develop.

Although it is too soon to substantiate, one possible trend for the coming years will be a continued decline in shipments of Prairie grain into Eastern Canada. With the exception of the 1983-84 crop year, this had been the case since the beginning of this decade. If grain shipments through Thunder Bay and direct rail shipments from the Prairies into Eastern Canada continue to shrink, then Thunder Bay could become a less adequate reference point for Prairie grain prices. If that transpired, attempts to develop futures contracts with delivery points within the Prairies would be of greater significance.

H. FEED FREIGHT ASSISTANCE

Freight assisted shipments of Canadian feed grains decreased 259,620 tonnes from year-earlier levels and totalled 1,883,634 tonnes. However, total expenditures during the crop year increased by $678,746, to total $16,577,012. This increased expenditure was totally due to a slight increase in eligible tonnage claimed in Atlantic Canada coupled with an upward revision in freight assistance rates in the Atlantic region.

In August 1984 the Feed Freight Assistance Program was expanded to include all Canadian feed grains sold commercially within the eligible FFA zones, including locally produced grains. During the 1984-85 crop year slightly more than 30 thousand tonnes of Maritime grain was claimed under the program. As FFA claims in Atlantic Canada totalled 469,321 tonnes in 1984-85, an increase of 29.6 thousand tonnes, total shipments from outside of the region remained constant. As expected, P.E.I., the largest grain producer in the Maritime region was the largest beneficiary of this policy change.

Shipments into British Columbia dropped marginally in 1984-85. The total of 528,462 tonnes was down 13 thousand tonnes from a year-earlier. As a result total program expenditures in British Columbia dropped from $5,784,339 in 1983-84 to $5,632,081 in 1984-85. Given the relatively stable livestock population in B.C. in the period under review, the essentially unchanged level of shipments was to be expected.

The largest change in shipment occurred in the province of Quebec, where claims dropped from 1,146,305 tonnes in 1983-84 to 867,852 tonnes in 1984-85. This drop reflected a sharp decline in usage of grain of Western origin and a slight increase in grains of Eastern origin. A larger 1984 crop and the relatively high price of Western grains encouraged this shift. FFA expenditures in Quebec in 1984-85 totalled $3,122,125, a drop of $572,692 from 1983-84.

These changes resumed the trend of recent years where total FFA shipments into Eastern Canada have been declining, while freight assisted shipments of Eastern grain within Eastern Canada have been increasing. In 1982-83, for the first time freight assisted shipments of Prairie feed grains dropped below 1 million tonnes. In 1983-84, as a result of lower crops in Eastern Canada and relatively attractive prices of Prairie feed grains, shipments of Prairie feed grains rebounded sharply, totalling 1,357,963 tonnes. In 1984-85, large Eastern crops, relatively unattractive prices for Prairie feed grains, and, the tight Prairie supply situation all combined to drop demand for Prairie feed grains in the East. Freight assisted shipments of Prairie feed grains and products into Eastern Canada in 1984-85 thus totalled only 986,314 tonnes.

Interprovincial shipments of freight assisted grain into British Columbia and the four Atlantic provinces represent the total movement of eligible grains from the Prairies and Ontario and these statistics are shown in Table VII. Shipments into Quebec do not cover all movement as the Saint Lawrence ports and surrounding region are not eligible for assistance on Prairie feed grains and an even greater region of the province is not eligible for assistance payments on Eastern grain. Finally, in Ontario only some northern regions are eligible for freight assisted payments on Prairie feed grains and thus most grain shipments are not included in these statistics. Using Canadian Grain Commission statistics plus Livestock Feed Board of Canada statistics on Ontario corn shipments to the Quebec feed industry and freight assisted shipments into Atlantic Canada, Table VIII shows the estimated level of inter-provincial shipments of feed grains in Eastern Canada.

TABLE VII

FREIGHT ASSISTED SHIPMENTS BY PROVINCE OF DESTINATION

CROP YEAR 1984-85

(TONNES)

PROVINCE	GRAINS OF WESTERN CANADIAN ORIGIN					EASTERN GRAIN	TOTALS a/	EXPENDITURES ($)
	WHEAT	OATS	BARLEY	SCREENINGS	MILLFEEDS			
NFLD.	15,682	6,753	8,813	1,052	1,163	16,017	49,480	1,900,586
P.E.I.	4,193	1,978	16,375	-	966	27,188	50,713	754,777
N.S.	17,740	8,924	69,441	12,326	10,410	100,607	219,443	2,863,999
N.B.	10,814	7,093	48,056	4,430	2,636	76,646	149,685	2,105,120
QUE.	171,381	54,634	392,167	4,351	102,321	142,998	867,852	3,122,125
ONT.	2,865	2,220	7,298	160	66	4,865	17,474	172,133
B.C. *	129,549	21,673	259,524	2,568	50,729	-	528,462	5,632,081
YUKON & N.W.T.	171	108	246	-	-	-	525	26,191
TOTAL	352,395	103,383	801,920	24,887	168,291	368,316	1,883,634	16,577,012
LAST YEAR	428,500	120,758	1,102,051	24,949	160,497	243,143	2,143,254	15,898,266
2 YEARS AGO	350,694	153,477	699,607	47,039	160,850	257,619	1,720,140	13,789,566

a/ Totals include small quantities of Western Rye and Corn and Ontario Wheat.

* Includes B.C. local grain.

TABLE VIII
INTER-PROVINCIAL SHIPMENTS OF FEED GRAINS
IN EASTERN CANADA

	1981-1982	1982-1983	1983-1984	1984-1985
Prairie Grains[1]				
Wheat	287,044	315,711	334,660	264,719
Oats	195,477	149,776	165,954	99,888
Barley	473,011	481,914	868,562	288,859
Screenings	62,893	97,193	68,312	72,147
TOTAL	1,018,425	1,044,594	1,437,488	725,613
Ontario Corn[2]				
to Quebec	315,259	266,806	459,737	409,251
to Atlantic Canada	160,655	158,113	155,670	191,537
U.S. Corn[1]	426,107	344,889	95,417	223,473
TOTAL SHIPMENTS[3]	1,920,446	1,814,402	2,148,312	1,549,874

1 Canadian Grain Commission.

2 Livestock Feed Board of Canada.

3 FFA statistics for Prairie grains exceed the Canadian Grain Commission statistics for total shipments of these grains into Eastern Canada. A drawdown of stocks in the East partially explains this as does the fact that FFA statistics should be lagged by one month to reflect the period between the reception of the grain by the end user and when the claim is paid. Nevertheless, the CGC statistics probably understate the actual level of shipments.

I. SUMMARY

The 1984-85 crop year saw a return to the generally burdensome grain supply levels seen earlier in the decade. The feed grain supply tightness experienced in 1983-84 was alleviated, and global feed grain carryover increased. Wheat markets continued to face surplus market conditions and these excess supplies kept wheat prices under downward pressures. As the 1984-85 crop year drew to a close, the outlook for bumper 1985 crop weighed further on prices.

Feed barley prices rose up to corn competitive values in late 1983 and remained close to corn competitive levels through into February 1984 before once again dropping to a discount. At the end of the crop year the export price of feed barley was roughly $10 per tonne below corn competitive values. This discount continued into the fall of 1984, when falling corn prices brought the two markets back into line. Corn and barley then tended to trade at competitive levels into the spring of 1985, when world barley prices then once again dropped to a discount to corn. At the end of July 1985, global barley prices were roughly 15 dollars per tonne below corn competitive values.

In 1984-85, lower production coupled with lower carryin supplies meant a significant drop in total availability of Prairie grains. As a result there was a need for some allocation of supplies. Export shipments were cut back, movement into Eastern Canada was reduced, and import permits were issued for feed grades of U.S. oats and barley.

In Eastern Canada, although a late, cold spring resulted in a slow start for the crops, a good summer and late fall allowed for a very good harvest. In the Maritimes, the growing season was very good but wet conditions during harvest created some difficulties. For British Columbia, 1984 conditions were generally good for silage production and the hay output was satisfactory.

During the 1983-84 crop year, the geographical price spreads throughout Canada were fairly normal. This was not the case during 1984-85, however, as the very tight supply situation in the south-western region of the Prairies was combined with very ample supplies being available to Central and Atlantic Canada. As a result the further West one went, the stronger grain market prices tended to be relative to year-earlier levels.

Freight assisted shipments of Canadian feed grains decreased 259,620 tonnes from year-earlier levels and totalled 1,883,634 tonnes. However, total expenditures during the crop year increased by $678,746, to total $16,577,012. This increased expenditure was totally due to a slight increase in eligible tonnage claimed in Atlantic Canada coupled with an upward revision in freight assistance rates in the Atlantic region.

J. OUTLOOK

Normally crop conditions are the primary determinants of market outlooks for the year ahead. The 1985-86 crop year will be heavily influenced by the fact that a bumper 1985 global crop has glutted the markets. A longer term outlook will also be possible, however, once the U.S. farm policy is decided in late 1985. The new U.S. farm policy will set the market tone for the rest of this decade. Although the new policy had been due to be enacted by October 1, 1985, and to affect 1986 crops, by late October the debate was still in progress and this review no longer could be delayed.

It is a virtual certainty that the U.S. grain policy in the years ahead will be significantly different from that of recent years. Since 1976 the U.S. loan rate policy has been placing an ever-rising price floor under U.S., and subsequently global, grain markets. In the period ahead, U.S. grain price support levels will be lowered. The only question is how far and how fast this drop will occur. With normal weather conditions, world grain market prices tend to drop down to levels reflecting U.S. price supports.

Thus the most important factor in the grain market outlook for the years ahead is the U.S. farm policy. This subject will be covered in Grain Facts once the new law has been enacted.

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